

Message Text

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ACTION NEA-09

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E.O. 11652: GDS

TAGS PINT IS

SUBJ: KNESSET APPROVES STATE-GUARANTEED LOANS TO
POLITICAL PARTIES

REF: TEL AVIV 1130

SUMMARY: KNESSET MARCH 19 APPROVED JOINT LABOR PARTY-
HERUT PROPOSAL AUTHORIZING GOVERNMENT GUARANTEES FOR
LOW-INTEREST LOANS TO CONSOLIDATE DEBTS OF POLITICAL
PARTIES. GIVEN CURRENT PREOCCUPATION WITH CRITICAL FOREIGN
POLICY/SECURITY ISSUES, MINI-UPROAR OVER LOAN ISSUE
PROBABLY WILL SUBSIDE RAPIDLY WITHOUT ANY LASTING DAMAGE
TO EITHER PARTY'S PUBLIC STANDING. END SUMMARY

1. IN STORMY KNESSET SESSION MARCH 19, LABOR PARTY
HERUT PROPOSAL FOR STATE GUARANTEES FOR CONSOL-
IDATION OF DEBTS OF POLITICAL PARTIES WAS ADOPTED (50-40-11),
AND PASSED FOR IMPLEMENTATION TO FINANCE COMMITTEE. LABOR
AND HERUT WERE ALONE IN VOTING IN FAVOR OF PROPOSAL, WITH
MOST OF ABSTENTIONS COMING FROM NATIONAL RELIGIOUS PARTY,
AND COMPONENT MEMBERS OF LIKUD--APART FROM HERUT-- AS WELL
AS MINOR PARTIES VOTING AGAINST.

2. DESPERATE FINANCIAL CONDITION OF MAJOR PARTIES HAS BEEN
WELL-PUBLICIZED FACT, WHILE SMALLER PARTIES WITH LOWER
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OPERATING OVERHEAD HAVE MANAGED TO SURVIVE CURRENT INFLATIONARY

PERIOD IN SOMEWHAT BETTER CONDITION. LABOR-HERUT PROPOSAL (REFTEL) PROVIDES FOR LOW-INTEREST, LONG-TERM LOANS FROM COMMERCIAL BANKS, TO BE DISTRIBUTED PROPORTIONATELY TO ALL PARTIES REQUESTING THEM IN ACCORDANCE WITH THE SIZE OF THEIR KNESSET DELEGATIONS. TREASURY WILL NOT ACTUALLY FINANCE THE LOANS, BUT ONLY GUARANTEE THEIR REPAYMENT.

3. HEATED DEBATE IN RECENT WEEKS COMES AGAINST BACKGROUND OF RECENT GOVERNMENT DECISIONS TO IMPOSE BELT-TIGHTENING AUSTERITY REGIME ON ISRAELI PUBLIC. MOST VOCIFEROUS OPPONENTS OF PROPOSAL WERE LEADERS OF SMALL CITIZENS RIGHTS AND FREE CENTER PARTIES, BOTH OF WHOM SEVERELY CRITICIZED IT AS WASTE OF PUBLIC MONEY IN SUPPORT OF SWOLLEN PARTY MACHINES. OPPONENTS NOTED ALLEDDLY DISCRIMINATORY ASPECT OF LOANS PROPOSAL IN PERIOD WHEN NUMEROUS PUBLIC INSTITUTIONS ARE ALSO SHORT OF FUNDS, AND EMPHASIZED THAT ITS PASSAGE WOULD DEEPEN ALREADY-EXISTING PSYCHOLOGICAL GULF BETWEEN PRIVILEGED PARLIAMENTARIANS AND PUBLIC. ALMOST ALL COMMENTATORS IN NON-PARTY PRESS HAVE ALSO CONDEMNED PROPOSAL. PROPONENTS CHARACTERIZED CRITICISMS AS DEMAGOGY, EMPHASIZING THAT FUNDS INVOLVED WOULD NOT COME FROM STATE BUDGET.

4. COMMENT: HANDLING OF PARTY LOAN ISSUE WILL CERTAINLY NOT ENDEAR MAJOR PARTIES TO ISRAELI PUBLIC. CONSOLIDATION OF DEBTS, HOWEVER, IS NECESSARY MEASURE IF PARTIES ARE TO EVER GET OUT FROM UNDER THEIR FINANCIAL BURDENS. TIMING WOULD ALWAYS BE SUBJECT TO CRITICISM. GIVEN CRUCIAL DECISIONS FACING ISRAELI IN FOREIGN POLICY AND SECURITY AREAS, WE BELIEVE THAT CURRENT UPROAR OVER PARTY LOANS PROBABLY WILL DIE DOWN RATHER RAPIDLY, WITH LITTLE PERMANENT AFTEREFFECT. BY U. S. STANDARDS OF ETHICAL BEHAVIOR, SUCH A GUARANTEE BY TAXPAYERS' FUNDS OF LOANS TO POLITICAL PARTIES SEEMS GROSSLY IMMORAL BUT THIS IS THE MIDDLE EAST.
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